



County of Los Angeles CHIEF EXECUTIVE OFFICE

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SACHI A. HAMAI
Interim Chief Executive Officer

February 25, 2015

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From: Sachi A. Hamai
Interim Chief Executive Officer

SACRAMENTO UPDATE

Executive Summary

This memorandum contains a report on the following:

Pursuit of County Position on a State Budget Item Related to the Licensing and Certification of Health Facilities. The Governor's FY 2015-16 Proposed Budget includes \$9.5 million in additional funding to augment the existing State contract with Los Angeles County to conduct licensing and certification activities at health care facilities in the County on behalf of the State. Although the Governor's proposal would provide additional funding to the County for licensing and certification activities, the amount is insufficient to meet all Federal and State contract requirements. Therefore, consistent with the Board's action of February 24, 2015, and unless otherwise directed by the Board, and consistent with existing policy to support proposals to provide increased State funding for the inspection and/or investigation of health care facilities, **the Sacramento advocates will support the Governor's budget proposal, if amended to provide additional funding for the County that is commensurate with the workload and the requirements of the contract to allow for appropriate inspection of all health care facilities to ensure the health, safety, and protection of County residents receiving treatment at these facilities.**

Background

The California Department of Public Health (CDPH) contracts with Los Angeles County to provide licensing, certification, and inspection of health facilities located in the County. These activities are performed by the County's Department of Public Health

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(DPH) Health Facilities Inspection Division (HFID) staff who conduct reviews of approximately 2,525 health facilities in the County including: private acute care hospitals; nursing homes; homes for the intellectually impaired; hospice programs; ambulatory surgical centers; dialysis clinics; home health agencies; community care clinics; and congregated living facilities for persons who are catastrophically and severely disabled, ventilator dependent, and terminally ill. The inspections evaluate compliance with Federal and State certification and licensing requirements and are essential to protecting the health and well-being of persons receiving treatment in various health care facilities. HFID also responds to citizen complaints regarding health facilities or providers.

Los Angeles County has contracted to provide these Federally and State-mandated services on behalf of the State since the 1960's, mainly because of its size and the expertise of the County's DPH staff. CDPH conducts licensing and certification reviews of health care facilities in the remaining 57 counties in California. Each Los Angeles County HFID inspection or investigation team is comprised of an environmental health specialist to conduct the life safety code inspection, and two to four nurses, depending on the size of the facility, to evaluate compliance in the services provided at the facility. These teams address complaint-based investigations and conduct regular surveys of the facilities.

Approximately 33 percent of the health care facilities in the State are located in Los Angeles County. However, the County's contract allocation is approximately \$26.9 million annually, which is about 15 percent of the total statewide allocation. The current allocation is far short of the County's need and does not cover the existing County-negotiated salary, employee benefits, and other costs to conduct licensing and certification reviews. Although 178 positions are approved under the contract, due to the allocation shortfall, only 151 positions are funded.

The existing three-year contract is scheduled to expire on June 30, 2015. In May 2014, the County submitted a budget change proposal to the State requesting additional funds to complete activities required under the contract. In September 2014, the Board of Supervisors directed the Chief Executive Office of the Board to send a five-signature letter to Governor Brown urging him to identify funding to address the budget shortfall for the County.

Governor's FY 2015-16 Budget Proposal

The Governor's FY 2015-16 January Proposed Budget includes a \$9.5 million augmentation to the existing State contract with the County to conduct licensing and certification activities. The proposed budget also provides \$378,000 in special funds for three State positions to provide on-site monitoring, training and quality improvement

activities related to the County's contract. According to the Administration, the \$9.5 million allocation includes \$2.6 million to fully fund salaries for the 178 positions in the current contract and provides \$6.9 million to fund an additional 32 positions.

Legislative Analyst Office Analysis

On February 12, 2015, the Legislative Analyst Office (LAO) released its analysis of the Governor's Proposed Health Budget including proposals to improve quality and increase staffing for the Licensing and Certification Program administered by CDPH, and the program services contracted by the State with Los Angeles County. The LAO notes that the Governor's proposal to improve monitoring and oversight of the County contract has merit. However, the LAO recommends that the Legislature renew the County's contract on an annual basis until the County has fully addressed performance issues. According to the LAO, the reduced contract term will allow the State an opportunity to annually incorporate and refine performance measures and benchmarks intended to strengthen State oversight and to withhold payment if the County fails to achieve such measures.

The Legislative Analyst Office has withheld making a recommendation on approving the \$9.5 million augmentation to the County's contract and for additional positions to CDPH until the Department issues its cost analysis of using lower-level classifications to alleviate some of the duties currently performed by the more costly health facilities evaluator nurses. The LAO notes that any classification changes made in the State's program as a result of the cost analysis may extend and be applicable to the County's program.

Impact to the County

The Department of Public Health reports that although the Governor's budget proposal would provide \$9.5 million in additional funding, for a total estimated contract increase from \$26.9 million to \$36.4 million annually, the County's contract would remain significantly underfunded. According to DPH, this is because the funding model used by the Administration does not: 1) use current County salary rates, employee benefits, indirect costs, or the County productive workload hours; 2) correctly reflect the required number of surveyors and first-line supervisors; 3) apply the same medical consultant formula as used in the State's determination of medical consultants required for its State-operated district offices; and 4) adequately account for program support positions such as information technology and analyst positions.

The California Department of Public Health estimates that of the proposed \$9.5 million allocation, \$2.6 million would be used to fully fund the 178 positions approved under the existing contract. The remaining \$6.9 million in funding would be used to fund 32 additional HFID staff for a total of 210, far short of the County's contract needs.

DPH estimates that the County would need an additional \$22.5 million for a total annual allocation of \$58.9 million to adequately complete all State and Federal licensing and certification requirements.

Subsequent to the release of the Governor's Budget, CDPH advised the County DPH staff that the Governor's proposal assumes a reduced County workload under the new contract. According to CDPH, the County would be responsible for completing only Long-Term Care and Aged Long Term-Care complaints. The State indicated that the County would no longer be responsible for full-scope services such as: Federally-mandated complaints and surveys at acute psychiatric hospitals; and initial certification surveys at chronic dialysis clinics, hospice, and community clinics. DPH reports that the State has not yet provided assurances that the activities assumed by the State would adequately and appropriately ensure the safety of patients in Los Angeles County.

The Department of Public Health indicates that even with a reduced workload, the Governor's Budget proposal of \$9.5 million is insufficient. As noted above, this is primarily due to errors in the model used by the Administration to determine the County's funding and staffing needs. **According to DPH, the County would need an additional \$14.3 million starting in FY 2015-16, or \$4.8 million above the Governor's proposal, to complete the activities required under a reduced workload.**

Furthermore, the Department of Public Health also reports that the Governor's Budget proposal does not take into consideration Federal and State requirements which mandate newly-hired health facilities evaluator nurses to complete a minimum of one year of training and to pass an examination before working independently in the field. DPH notes that this will require a phase-in, as new health facilities evaluator nurses are trained and certified to conduct inspections. Assuming that the Board of Supervisors approves a new contract with the State, and that the County could begin to hire new health facilities evaluator nurses shortly after approval of the FY 2015-16 State Budget Act, DPH estimates that the County would begin to experience notable staff productivity in FY 2016-17 with a full phase-in of new staff by FY 2017-18.

Department of Public Health Budgetary Needs

As previously reported, although the Governor's budget proposal would provide additional funding to the County to conduct State-contracted licensing and certification activities, the proposed funding augmentation is insufficient. The chart on Page 5 provides a comparison of the current contract funding levels to the Governor's budget proposal.

Comparison of Governor's Budget Proposal to County Costs			
Current Contract Allocation	Estimated Cost to Provide Reduced Workload Services	Estimated Cost to Provide Full Scope Services	Governor's January Budget Proposal
\$26.9 million	\$41.2 million	\$58.9 million	\$36.4 million (\$26.9 million + \$9.5 million augmentation)

The Governor's Budget proposal is scheduled to be heard before the Senate Budget Subcommittee on Health and Human Services on March 5, 2015. The Assembly Budget Subcommittee on Health and Human Services is scheduled to hear this item on March 9, 2015.

Conclusion

Although the Governor's proposed budget would provide \$9.5 million in additional funding to the County for licensing and certification activities, this augmentation is insufficient to adequately ensure that the County can meet its contractual obligations with the State and protect vulnerable County residents receiving institutional health care services. As previously stated, the County would need an additional \$14.3 million, or \$4.8 million above the Governor's \$9.5 million proposal to complete the activities required under a reduced workload.

Therefore, consistent with the Board's action of February 24, 2015, and unless otherwise directed by the Board, and consistent with existing policy to support proposals to provide increased State funding for the inspection and/or investigation of health care facilities, **the Sacramento advocates will support the Governor's budget proposal, if amended to provide additional funding for the County that is commensurate with the workload and the requirements of the contract to allow for appropriate inspection of all health care facilities to ensure the health, safety, and protection of County residents receiving treatment at these facilities.**

We will continue to keep you advised.

SAH:MR
VE:TOF:ma

c: All Department Heads
Legislative Strategist